

# **WATERBERG DISTRICT MUNICIPALITY**

## **AUDITED ANNUAL FINANCIAL STATEMENTS 2010/2011**



**Waterberg**  
District Municipality

*on the Go for Growth*

# **WATERBERG DISTRICT MUNICIPALITY**

## **AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

I am responsible for the preparation of these annual financial statements which are set out on pages 1 to 55, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the municipality.

I certify that the salaries, allowances and benefits of Councilors as disclosed in note 22 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act, the Minister of Provincial and Local Government's determination in accordance with this Act and Government Notice 1196 of Government Gazette no 33867 dated 10 December 2010.

I have complied with the disclosure requirements in terms of section 122 to 126 of the Municipal Finance Management Act, No 56 of 2003.



**MV LETSOALO  
MUNICIPAL MANAGER**

30.11.2011.

**DATE**

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# **REPORT OF THE AUDITOR-GENERAL TO THE LIMPOPO PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE WATERBERG DISTRICT MUNICIPALITY**

## **REPORT ON THE FINANCIAL STATEMENTS**

### **Introduction**

1. I have audited the accompanying financial statements of the Waterberg District Municipality, which comprise the statement of financial position as at 30 June 2011, and the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, and the accounting authority's report as set out on pages XX to XX.

### **Accounting authority's responsibility for the financial statements**

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA), and for such internal control as management determines necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor-General's responsibility**

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and General Notice 1111 of 2010 issued in Government Gazette 33872 of 15 December 2010. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made

by management, as well as evaluating the overall presentation of the financial statements,

6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### **Opinion**

7. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Waterberg District Municipality as at 30 June 2011, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the MFMA.

#### **Emphasis of matter**

8. I draw attention to the matters below. My opinion is not modified in respect of these matters:

#### **Restatement of corresponding figures**

9. As disclosed in note 31 to the financial statements, the corresponding figures for 2009-10 have been restated as a result of errors discovered during 2011 in the financial statements of the Waterberg District municipality at, and for the year ended, 30 June 2010.
10. As disclosed in note 32 to the financial statements, the corresponding figures for 2009-10 have been restated as a result of a change in accounting policy during 2011 in the financial statements of the Waterberg District municipality at, and for the year ended, 30 June 2010.

#### **Additional matter**

11. I draw attention to the matter below. My opinion is not modified in respect of this matter.

#### **Unaudited supplementary schedules**

12. The supplementary information set out on pages XX to XX does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon

#### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

13. In accordance with the PAA and in terms of *General notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, I include below my findings on the annual performance report as set out on pages XX to XX and material non-compliance with laws and regulations applicable to the entity.

#### **Predetermined objectives**

14. There were no material findings on the annual performance report.

**Compliance with laws and regulations**

15. There were no findings concerning material non-compliance with laws and regulations applicable to the municipality.

**INTERNAL CONTROL**

16. In accordance with the PAA and in terms of *General notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, we considered internal control relevant to our audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. There are no significant deficiencies in internal control that resulted in a qualification of the auditor's opinion on the financial statements, findings on predetermined objectives and material non-compliance with laws and regulations.

*Leah M. M. M. M. M.*

Polokwane  
30 November 2011



AUDITOR GENERAL  
SOUTH AFRICA

*Leah M. M. M. M. M.*

# **WATERBERG DISTRICT MUNICIPALITY**

## **GENERAL INFORMATION**

### **Members of the Council**

N.R. Mogotlane  
M.A.D. Monama  
N.S. Morumodi  
S. Lamola  
K.J. Baloyi  
M.M.A. Mogotsi  
B.S. Mhlanga  
R.Z. Moeletsu  
M.L. Moremi

Mayor  
Speaker  
Chief Whip  
Member of the Mayoral Committee  
Member of the Mayoral Committee  
Member of the Mayoral Committee  
Member of the Mayoral Committee  
Member of the Mayoral Committee

### **Municipal Manager**

M.V. Letscalo

### **Chief Financial Officer**

N. Laubscher

### **Grading of the District Municipality**

Grade 3

### **Auditors**

Auditor - General

### **Bankers**

First National Bank

### **Physical Address**

Harry Gwala Street  
Modimolle  
0510

### **Postal Address**

Private Bag X1018  
Modimolle  
0510

### **Telephone Number**

(041) 718 3300

### **Fax Number**

086 529 4621

### **E-mail address**

[nlaubscher@waterberg.gov.za](mailto:nlaubscher@waterberg.gov.za)



# WATERBERG DISTRICT MUNICIPALITY

## STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011

	Note	2011 R	2010 R
<b>ASSETS</b>			
<b>Current assets</b>		<b>131 156 803</b>	<b>113 976 862</b>
Cash and cash equivalents	1	108 911 860	87 618 787
Trade and other receivables from exchange transactions	2	22 594	26 932
Other receivables from non-exchange transactions	3	954 763	1 398 063
Inventory	4	93 134	80 614
Held-to-maturity investments	5	16 064 987	22 102 744
VAT receivable	6	3 062 714	2 721 962
Non-current assets held for sale	7	26 751	26 750
<b>Non-current assets</b>		<b>53 269 687</b>	<b>50 067 400</b>
Non-current receivables	8	2 025	2 025
Property, plant and equipment	9	51 632 038	49 154 128
Intangible assets	10	1 635 623	831 247
<b>Total assets</b>		<b>184 426 290</b>	<b>164 063 262</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>10 429 914</b>	<b>9 030 894</b>
Trade and other payables	11	5 875 061	5 599 869
Consumer deposits	12	1 550	7 100
Provisions	13	-	179 830
Unspent conditional grants and receipts	14	3 290 647	2 173 462
Current portion of retirement health care liability	15	1 186 476	913 953
Current portion of long service awards liability	16	76 181	156 680
<b>Non-current liabilities</b>		<b>12 311 562</b>	<b>9 605 425</b>
Retirement health care liability	15	11 106 771	8 789 926
Long service awards liability	16	1 205 781	815 499
<b>Total liabilities</b>		<b>22 741 466</b>	<b>18 636 319</b>
<b>Net assets</b>		<b>161 684 824</b>	<b>145 426 943</b>
<b>NET ASSETS</b>			
Retained surplus and other reserves		161 684 824	145 426 943
Accumulated surplus and other reserves	30	161 684 824	145 426 943
<b>Total net assets</b>		<b>161 684 824</b>	<b>145 426 943</b>



# WATERBERG DISTRICT MUNICIPALITY

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 R	2010 R
<b>REVENUE</b>			
Service charges	17	607 783	833 918
Interest earned - external investments	18	8 252 553	8 628 145
Interest earned - outstanding receivables	19	30 095	34 753
Government and other grants	20	97 037 325	93 075 424
Bad debts recovered		-	1 446
Other income		192 658	116 773
<b>Total Revenue</b>		<b>108 120 414</b>	<b>102 690 459</b>
<b>EXPENDITURE</b>			
Employee related costs	21	(37 950 528)	(32 171 368)
Remuneration of councillors	22	(3 824 518)	(3 791 832)
Post-retirement health care expenditure	15	(3 001 822)	( 469 682)
Long-service award expenditure	16	( 388 675)	( 190 978)
Provision for doubtful debt		( 29 595)	( 44 786)
Depreciation, impairment and amortisation	23	(4 181 612)	(3 601 336)
Repairs and maintenance		( 481 055)	( 486 445)
Contracted services	24	(8 388 859)	(5 904 908)
General expenses	25	(11 580 134)	(11 239 867)
Project expenditure		(19 807 768)	(21 267 295)
<b>Total Expenditure</b>		<b>(89 635 770)</b>	<b>(79 168 497)</b>
Loss on sale of assets	26	( 230 403)	( 458 000)
Reversal of impairment loss	27	3 640	-
<b>SURPLUS FOR THE YEAR</b>		<b>16 257 881</b>	<b>23 063 962</b>

Refer to Appendix E(1) for the comparison with the approved budget

# WATERBERG DISTRICT MUNICIPALITY

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2011

	Note	Revaluation Reserve	Government Grant	Donations and Public Reserve	Accumulated Surplus	Accumulated Surplus and Other Reserves	Total
		R	R	R	R	R	R
<b>2010</b>							
Balance at 1 July 2009		-	1 081 455	1 886 523	116 650 441	119 518 429	119 518 429
Correction of prior period errors	31	-			105 887	105 887	105 887
Store Room Building	31				13 111	13 111	13 111
Procurement of laptop							
Change in accounting policy:							
Residuals, laptops & impairment of PPE	32		40 432	(4 268)	2 589 609	2 625 774	2 625 774
Restated balance		-	1 121 897	1 882 257	119 358 827	122 362 981	122 362 981
Net surplus for the year					23 063 962	23 063 962	23 063 962
Capital grants used to obtain PPE							
Donated/contributed PPE			(5)	(26 525)	25 530		
Disposal of assets			(173 139)	(281 277)	454 416		
Offsetting of Depreciation							
Balance at 30 June 2010		-	948 753	1 575 455	142 902 735	145 426 943	145 426 943
<b>2011</b>							
Balance as at 1 July 2010		-	948 753	1 575 455	142 902 735	145 426 943	145 426 943
Net surplus for the year							
Capital grants used to obtain PPE					16 257 881	16 257 881	16 257 881
Donated/contributed PPE							
Disposal of assets			(1)				
Offsetting of Depreciation			(213 109)	(182 236)	386 344		
Balance at 30 June 2011		-	735 644	1 393 219	159 555 951	161 684 024	161 684 024

Note 28

# WATERBERG DISTRICT MUNICIPALITY

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 R	2010 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Cash receipts:</b>			
Sales of goods and services		593 460	750 130
Grants		98 154 511	89 869 449
Interest received		8 282 649	8 662 898
Other receipts		176 174	115 394
<b>Payments:</b>			
Employee costs		(41 533 054)	(36 314 497)
Suppliers		(8 224 963)	(10 296 420)
Project expenditure		(19 925 349)	(23 333 516)
Fire fighting expenditure		(8 738 012)	(4 974 164)
Vat		( 340 755)	(1 154 010)
Other payments		(2 577 893)	(3 387 335)
<b>Net cash flows from operating activities</b>	29	<b>24 865 767</b>	<b>19 937 929</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(8 724 095)	(12 661 172)
Purchase of intangible assets		( 876 324)	( 94 700)
Proceeds on sale of property, plant and equipment		8 117	351 000
Proceeds from recovery of investments		3 640	-
Decrease/(increase) in held-to-maturity investments		4 017 758	(12 013 977)
Decrease in long term receivables		-	37 852
<b>Net cash flows from investing activities</b>		<b>(3 572 904)</b>	<b>(24 380 997)</b>
<b>Net increase in net cash and cash equivalents</b>		<b>21 292 863</b>	<b>(4 443 068)</b>
<b>Net cash and cash equivalents at beginning of year</b>		<b>(87 618 797)</b>	<b>(92 061 865)</b>
<b>Net cash and cash equivalents at end of year</b>	30	<b>100 911 660</b>	<b>87 618 797</b>



**WATERBERG DISTRICT MUNICIPALITY**  
**ACCOUNTING POLICIES OF THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR**  
**ENDED 30 JUNE 2011**

**1. BASIS OF ACCOUNTING**

**1.1 BASIS OF PRESENTATION**

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, but some components are measured at fair value as indicated in subsequent accounting policy notes.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance in terms of:

- *Government Notice 991 of 2005, issued in Government Gazette no. 28095 of 15 December 2005;*
- *Government Notice 992 of 2005, issued in Government Gazette no. 28095 of 15 December 2005; and*
- *Government Notice 516 of 2008, issued in Government Gazette no. 31021 of 9 May 2008.*
- *Government Notice 80 of 2011, issued in Government Gazette no. 33991 of 2 February 2011.*

The effective standards comprise of the following:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-current Assets Held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets

Directives and Guidelines form part of the GRAP Reporting Framework. The ASB Directives and Guidelines applicable to Waterberg District Municipality comprise the following:

Directive 1	Repeal of Existing Transitional Provisions in, and Consequential Amendments to, Standards of GRAP
Directive 4	Transitional Provisions for the Adoption of Standards of GRAP by Medium and Low Capacity Municipalities
Directive 5	Determining the GRAP Reporting Framework
Directive 7	The Application of Deemed Cost on the Adoption of the Standards of GRAP



**WATERBERG DISTRICT MUNICIPALITY**  
**ACCOUNTING POLICIES OF THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR**  
**ENDED 30 JUNE 2011**

**1. BASIS OF ACCOUNTING** *(continued)*

**1.1 BASIS OF PRESENTATION** *(continued)*

Effective accrual based IPSASs considering the provisions in paragraphs 16 to 19 of Directive 5 applicable to Waterberg District Municipality comprise the following:

IPSAS 20	Related Party Disclosures
IPSAS 21	Impairment of Non-cash generating assets

Effective IFRSs and IFRICs that are applied considering the provisions in paragraphs 21 to 27 of Directive 5 applicable to Waterberg District Municipality comprise the following:

IFRS 7	Financial Instruments: Disclosures
IAS 19	Employee Benefits
IAS 32	Financial Instruments: Presentation
IAS 36	Impairment of Assets
IAS 39	Financial Instruments: Recognition and Measurement
IFRIC 4	Determining whether an Arrangement contains a Lease

Accounting policies for material transactions, events or conditions not covered by the above GRAP Standards have been developed in accordance with section 29 of ASB Directive 5 and paragraph 12 of GRAP 3.

GAMAP 9 Revenue Section 29 to 54 pertaining to revenue from rates, fines, government grants, other grants, donations received and levies are not yet withdrawn as GRAP 9 only applies to exchange revenue and GRAP 23 Revenue from non-exchange transactions is not yet effective.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

The accounting policies applied are consistent with those used in the previous financial year, unless explicitly stated.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

**1.2 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

The following GRAP standards have been issued but are not yet effective, but may be used in developing an accounting policy:

These standards are effective for financial years commencing on or after 1 April 2012 as published in *Government Notice 80 of 2011*, issued in *Government Gazette* no. 33991 of 2 February 2011.

GRAP 21	Impairment of non-cash-generating assets
GRAP 23	Revenue from non-exchange transactions
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 26	Impairment of cash-generating assets
GRAP 103	Heritage Assets

**WATERBERG DISTRICT MUNICIPALITY**  
**ACCOUNTING POLICIES OF THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR**  
**ENDED 30 JUNE 2011**

**1. BASIS OF ACCOUNTING** *(continued)*

**1.2 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE** *(continued)*

Effective dates for the following standards have not yet been determined:

GRAP 20	Related Party Disclosures
GRAP 25	Employee Benefits
GRAP 104	Financial Instruments
GRAP 105	Transfer of functions between entities under common control
GRAP 106	Transfer of functions between entities not under common control
GRAP 107	Mergers

Approved Standards of GRAP that entities are not required to apply:

GRAP 18	Segment Reporting
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The impact of GRAP standards issued but not yet effective on the financial statements of Waterberg District Municipality in the future are as follows:

- GRAP 18 - This does not deal with the accounting treatment of any particular transaction of events but merely with the re-arrangement of information already presented and disclosed. The impact on the municipality's financial statements would be minimal.
- GRAP 20 - Councillors and Board Members will be disclosed as related parties and normal supplier and/or client/recipient relationships at arm's length and within normal operating parameters will not have to be separately disclosed.
- GRAP 21 - Assessment at every reporting date whether there are indicators that any assets have been impaired, the measurement of impairment losses and reversal of impairment losses. The impact would be minimal as impairment testing is already being performed.
- GRAP 23 - The method of recognition and measurement of revenue from non-exchange transactions, specifically taxes and transfers. The municipality does not have taxes and the accounting policy for the disclosure and measurement of transfers implemented currently by the municipality already adheres to these requirements:
- Revenue is recognized to the extent that conditions have been met;
  - A liability is recognized to the extent that the present conditions have not yet been met.
  - An asset acquired through a non-exchange transaction is initially measured at its fair value as at the date of acquisition.
- GRAP 24 - A comparison of budget and actual amounts as additional budget columns in the primary financial statements and a disclosure note on the explanations of changes between the approved and final budget is required. The impact on the municipality's financial statements would be minimal.
- GRAP 25 - The Standard on Employee Benefits will have no material impact on the financial statements of the municipality as the municipality is adhering to IAS 19 and there is no material change from IAS 19 to GRAP 25 that is affecting this municipality.
- GRAP 26 - Assessment at every reporting date whether there are indicators that any assets have been impaired, the measurement of impairment losses and reversal of impairment losses. This Standard will be applicable to the Abattoir assets and the impact of this Standard would be minimal at this stage as the abattoir is currently undergoing an upgrade.
- GRAP 103 - This Standard will have no impact on the municipality as the municipality currently has no heritage assets.
- GRAP 104 - The Standard on financial instruments will have no material impact on the financial statements of the municipality as the municipality is adhering to IAS 32 and IAS 39 and the changes from IAS 32 and IAS 39 to GRAP 104 is not applicable to this municipality.



**WATERBERG DISTRICT MUNICIPALITY**  
**ACCOUNTING POLICIES OF THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR**  
**ENDED 30 JUNE 2011**

**1. BASIS OF ACCOUNTING** *(continued)*

**1.2 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE** *(continued)*

GRAP 105– The Standard will have no material impact on the financial statements of the municipality as the municipality does not have functions transferred between entities under common control.

GRAP 106 – The Standard will have no material impact on the financial statements of the municipality as the municipality does not have functions transferred between entities under common control.

GRAP 107 – The Standard will have no material impact on the financial statements of the municipality as the municipality has no mergers.

The municipality shall apply these Standards of GRAP for annual financial statements covering periods beginning on or after a date to be determined by the Minister of Finance in a regulation to be published in accordance with section 91(1) (b) of the Public Finance Management Act, Act No. 1 of 1999, as amended.

**1.3 PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

**1.4 GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

**1.5 COMPARATIVE INFORMATION**

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the annual financial statements. Budgeted amounts have been included in the annual financial statements for the current financial year only.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

**2 RESERVES**

As GRAP 9 does not require that the below reserves be disclosed separately on the Statement of Financial Position, they are disclosed as part of Accumulated Surplus And Other Reserves, but are disclosed separately on the Statements of Changes in Net Assets and note 26.

**2.1 Government Grant Reserve**

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus / (deficit).

**WATERBERG DISTRICT MUNICIPALITY  
ACCOUNTING POLICIES OF THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 30 JUNE 2011**

**2 RESERVES *(continued)***

**2.1 Government Grant Reserve *(continued)***

The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset from this reserve to the accumulated surplus/ (deficit).

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus / (deficit).

**2.2 Donation and Public Contributions Reserve**

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donation and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus / (deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment, financed from Donations and Public Contributions is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus / (deficit).

**3 PROPERTY, PLANT AND EQUIPMENT**

**3.1 Initial recognition**

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.



**WATERBERG DISTRICT MUNICIPALITY**  
**ACCOUNTING POLICIES OF THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR**  
**ENDED 30 JUNE 2011**

**3 PROPERTY, PLANT AND EQUIPMENT** *(continued)*

**3.2 Subsequent measurement – cost model**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment. Land and artwork are not depreciated as it is deemed to have an indefinite useful life.

Subsequent expenditure is capitalised when it increases the capacity of future economic benefits associated with the asset.

Where the municipality replaces parts of an asset, it derecognizes the part of the asset being replaced and capitalizes the new component. Subsequent expenditure incurred on an asset is capitalized when it increases the capacity or future economic benefits associated with the asset.

**3.3 Depreciation and impairment**

Depreciation is calculated on cost minus the residual value, using the straight-line method, over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:

	<u>Years</u>
Bins and Containers	7
Buildings and Facilities	7 to 30
Computer Equipment	5 to 10
Emergency Equipment	5
Furniture and Fittings	7 to 15
Motor Vehicles	7 to 10
Office Equipment	5 to 10
Plant and Equipment	4 to 10
Specialized vehicles	10

The municipality has taken advantage of the transitional provisions provided in GRAP 17 Property, Plant and Equipment whereby in terms of Section 77 of Directive 4 municipalities are not required to measure property, plant and equipment for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Property, Plant and Equipment. GRAP 17 was initially adopted on 1 July 2008. This exemption was utilized up to the 09/10 financial statements, but the exemptions have been implemented retrospectively on 1 July 2010. The balance on the financial statements which is affected by this transitional provision is Property, Plant and Equipment and Reserves.

Residual values and estimated remaining useful lives have thus been implemented retrospectively in the current financial year. The municipality has also accounted for the impairment of assets in terms of GRAP21, GRAP26 and IAS36 Impairment of cash-generating and non-cash-generating assets. Assets have also been tested for impairment. Residual values and remaining useful lives will be reviewed annually and implemented prospectively henceforth.

**3.4 Derecognition**

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value/residual value and is recognised in the Statement of Financial Performance.

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**4 INTANGIBLE ASSETS**

**4.1 Initial recognition**

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalized. Research expenditure is never capitalized, while development expenditure is only capitalized to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset of monetary assets or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

**4.2 Subsequent measurement – cost model**

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

**4.3 Amortisation**

Amortisation is charged so as to write off the cost or valuation minus residual value of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

	<u>Years</u>
Computer software	3 to 25 years depending on the individual review of each asset's useful life

The residual values, amortization period and the amortization method for intangible assets with a finite useful life are reviewed at each reporting date and any changes are recognized as a change in accounting estimate in the Statement of Financial Performance.



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**4 INTANGIBLE ASSETS** *(continued)*

**4.3 Amortization** *(continued)*

The municipality test intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done annually. Where the carrying amount of an item of intangible assets is greater than the estimated recoverable amount (or recoverable service amount), it is written down to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

**4.4 Derecognition**

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value/residual value and is recognised in the Statement of Financial Performance.

**5 NON-CURRENT ASSETS HELD FOR SALE**

**5.1 Initial recognition**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

**5.2 Subsequent measurement**

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

The municipality has taken advantage of the transitional provisions provided in GRAP 100 Non-Current Assets Held for Sale whereby in terms of Section 45 of GRAP 100 provisions of the standard was applied prospectively. The balance on the financial statements which is affected by the transitional provision is Non-Current Assets Held for Sale.

**6 INVENTORY**

**6.1 Initial recognition**

Inventories comprise current assets held for consumption during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition.

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**6 INVENTORY** *(continued)*

**6.2 Subsequent measurement**

Inventories, consisting of consumables are valued at the lower of cost and net realisable value. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

**7 FINANCIAL INSTRUMENTS**

**7.1 Initial recognition**

Financial instruments are initially recognized at fair value.

**7.2 Subsequent measurement**

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and is in accordance with GRAP 104, IAS 36, IAS39 and IFRS7.

*Held-to-maturity investments* are non-derivative financial assets with fixed or determinable payments and a fixed maturity that the municipality has the positive intention and ability to hold to maturity. The investments are disclosed as Held-to-maturity investments which are subsequently measured at amortised cost.

*Loans and receivables* are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

Amortised cost is calculated using the effective interest method.

**7.3 Investments**

Investments, which include fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.



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**7 FINANCIAL INSTRUMENTS** *(continued)*

**7.4 Trade and other receivables**

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current. The carrying amount of trade and other receivables is a reasonable approximation of fair value.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

**7.5 Trade and payables**

Financial liabilities consist of trade and other payables. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest. Amounts that are payable within 12 months from the reporting date are classified as current. The carrying amount of trade and other payables is a reasonable approximation of fair value.

**7.6 Cash and cash equivalents**

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

**8 PROVISIONS**

Provisions are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

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**9 LEASES**

**9.1 Municipality as lessee**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease. The average payments over the period of the lease are expensed and any difference between the average and actual payment is disclosed as a debtor or creditor in the Statement of Financial Position.

Contingent rentals are not straight-lined or included in the projected future minimum operating lease expenses / receipts in the note to the financial statements.

**9.2 Municipality as lessor**

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease installments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

**10 REVENUE**

**10.1 Revenue from exchange transactions**

Revenue from exchange transactions is recognized at fair value and refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Interest is recognised on a time proportion basis, using the effective interest method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.



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**10 REVENUE** *(continued)*

**10.1 Revenue from exchange transactions** *(continued)*

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

**10.2 Revenue from non-exchange transactions**

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality.

Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality. Contributed property, plant and equipment are recognized at fair value.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councilors or officials is virtually certain.

**10.3 Grants, transfers and donations**

GRAP 9 Revenue from Exchange Transactions only applies to exchange revenue. Therefore, the provision of GAMAP 9 Revenue Section 42 to 49 still applies pertaining to revenue from grants and donations received.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met, to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Unutilised conditional grants are reflected in the Statement of Financial Position as a current liability and are always cash backed.

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**11 UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**12 IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1996) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**13 FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**14 EMPLOYEE BENEFITS**

**14.1 Provision for employee benefits**

Provision is made in the financial statements for all employee benefits.

Liabilities for wages and salaries, including non-monetary benefits, bonuses and annual leave obliged to be settled within 12 months of the reporting date, are recognized in other payables or provision for employee benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognized when the leave is taken and measured at the rates paid or payable.

The liability for long service leave for which settlement can be deferred beyond 12 months from the reporting date is recognized in the non-current liability for employee benefits and measured as the present value of expected future payment to be made in respect of services provided by employees up to the reporting date. Consideration is given to the expected future wage and salary levels, experience of employee departures and period of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms of maturity and currency that match, as closely as possible, the estimated future cash outflows.

**14.2 Pensions and other post-retirement benefits**

The municipality provides retirement benefits for its employees and councilors. The municipality has accounted for the defined contribution plan in terms of IAS19 and GRAP25 Employee Benefits. A defined contribution plan is a pension plan under which the municipality pays fixed contributions into a separate entity.



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**14 EMPLOYEE BENEFITS** *(continued)*

**14.2 Pensions and other post-retirement benefits** *(continued)*

For defined contribution plans, the municipality pays contributions on a mandatory, contractual or voluntary basis. The municipality has no further payment obligations once the contributions have been paid. Accordingly, the Municipality recognises the contributions to the scheme as an expense when the employees and councilors have rendered the employment service or served office entitling them to the contributions.

The municipality also provides post-retirement medical benefits to qualifying retirees. They are recognized in accordance with IAS 19 and GRAP25 on defined benefit plans.

The cost of providing health care is charged to the income statement so as to recognize current and past service costs, interest cost on defined benefit obligations, and the effect of any curtailments of settlements, net of expected returns on plan assets. Actuarial gains and losses are recognized in full directly in the statement of financial performance. Additional benefits are expensed as past service cost in the period in which the benefit is granted to the extent that it is not covered by a surplus to contributions funded by the municipality. The municipality has no plan assets. A liability is consequently recognized in the statement of financial position based on the present value of defined benefit obligations, less any unrecognized past service costs.

Municipalities were previously exempted from IAS19 defined benefit accounting as far as it relates to defined benefit plans in terms of the exemptions of Government Gazette no. 30013 of 29 June 2007. The exemption no longer applies since the 08/09 financial year and the change in accounting policy was implemented retrospectively in 08/09.

**15 IMPAIRMENT OF ASSETS**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

**WATERBERG DISTRICT MUNICIPALITY  
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**15 IMPAIRMENT OF ASSETS**

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

# WATERBERG DISTRICT MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<b>1 CASH AND CASH EQUIVALENTS</b>		
The municipality has the following bank accounts:		
<u>Current Account (Primary Bank Account)</u>		
First National Bank - Modimolle branch Account number 53170034748		
Cash book balance at beginning of year	8 319 197	4 657 595
Cash book balance at end of year	5 537 272	8 319 197
Bank statement balance at beginning of year	14 231 024	9 018 155
Bank statement balance at end of year	10 794 687	14 231 024
<u>Other accounts</u>		
Investments:		
Call deposits	14 063 194	3 054 696
60 Days fixed deposits	37 095 441	21 068 101
90 Days fixed deposits	52 213 553	55 154 603
	103 372 188	79 287 400
Cash on hand:		
Petty cash	2 200	2 200
<b>Total cash and cash equivalents</b>	<b>108 911 660</b>	<b>87 618 797</b>
A portion of cash represents restricted cash as it serves as security for unspent conditional grants.		
<b>2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>		
<u>Trade receivables</u>		
Abattoir	435 767	420 533
Gross Balance	435 767	420 533
Less: Provision for doubtful debts	( 423 197)	( 393 601)
Net Balance	12 570	26 932
<u>Other receivables</u>		
Councillor salaries	10 024	-
Gross Balance	10 024	-
Less: Provision for doubtful debts	-	-
Net Balance	10 024	-
<b>Total Net Balance</b>	<b>22 594</b>	<b>26 932</b>
<u>Abattoir: Ageing</u>		
Current (0 - 30 days)	14 120	10 809
31 - 60 days	2 230	14 974
61 - 90 days	2 727	6 268
91 - 365 days	23 088	26 010
+ 365 days	393 602	362 472
<b>Total</b>	<b>435 767</b>	<b>420 533</b>



# WATERBERG DISTRICT MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2011 R	2010 R
<b>2</b>		
<b>TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)</b>		
<u>Councillor salaries: Ageing</u>		
Current (0 - 30 days)	10 024	-
31 - 60 days	-	-
61 - 90 days	-	-
91 - 365 days	-	-
+ 365 days	-	-
<b>Total</b>	<b>10 024</b>	<b>-</b>

### Summary of debtors by Customer Classification

#### Consumers as at 30 June:

Current (0 - 30 days)	24 144	10 809
31 - 60 days	2 230	14 974
61 - 90 days	2 727	6 258
91 - 365 days	23 088	26 010
+ 365 days	393 602	362 472
<b>Sub-total</b>	<b>445 791</b>	<b>420 533</b>
Less: Provision for doubtful debts	( 423 197)	( 393 601)
<b>Total debtors by customer classification</b>	<b>22 594</b>	<b>26 932</b>

### Reconciliation of the doubtful debt provision

Balance at beginning of the year	393 601	377 334
Contributions to provision	29 596	44 786
Bad debts written off	-	( 28 519)
<b>Balance at end of year</b>	<b>423 197</b>	<b>393 601</b>

The fair value of trade and other receivables approximates their carrying amounts

## **3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

Investments under liquidation	142 748	142 748
Prepayments	717 687	921 530
Sundry debtors	94 328	333 785
<b>Total Other Debtors</b>	<b>954 763</b>	<b>1 398 063</b>

An investment amounting to R 572 713 capital is held with New Republic Bank, which is under receivership. An investment amounting to R322 264 capital is held with Regal Treasury Bank which is under liquidation. The investments were written down to fair value:

New Republic Bank Limited	142 748	142 748
Regal Treasury Private Bank Limited	-	-

WATERBERG DISTRICT MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2011 R	2010 R
4 INVENTORY		
Consumables:		
Opening balance	80 614	101 332
Additions	93 134	80 614
Issued (expensed)	( 80 614)	( 101 332)
Write-down / (reversal of write-down) to Net Replacement Value (NRV) or Net Replacement Cost (NRC)	-	-
Closing balance	<u>93 134</u>	<u>80 614</u>

Inventory consists of stationery. No inventory is pledged as security. No circumstances or events existed that would have led to the write-down of the reversal of a write-down of inventories.

5 HELD-TO-MATURITY INVESTMENTS		
6 Month fixed deposits	<u>18 084 987</u>	<u>22 102 744</u>

6 VAT		
VAT receivable	<u>3 062 714</u>	<u>2 721 962</u>
VAT is accounted for on the payment basis		

7 NON-CURRENT ASSETS HELD FOR SALE		
Computer equipment	17 889	17 889
Office equipment	1 164	1 164
Furniture and fittings	7 897	7 897
Motor vehicles	1	-
Property, plant and equipment	<u>26 751</u>	<u>26 750</u>

These assets are no longer being utilised by the municipality and has been approved by council for disposal. An auction is to be held to dispose of the assets in the short term.

8 NON-CURRENT RECEIVABLES		
Deposit water and electricity	<u>2 025</u>	<u>2 025</u>
These are deposits paid for water and electricity services.		

# WATERBERG DISTRICT MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### 9 PROPERTY, PLANT & EQUIPMENT

Reconciliation of Carrying Value	Land and Buildings R	Other Assets R	Total R
<b>Carrying values at 1 July 2010</b>			
Cost	34 103 659	15 050 460	49 154 128
Accumulated Depreciation	(34 697 417)	(33 120 301)	(67 817 718)
Accumulated Impairment	(592 934)	(17 303 015)	(18 497 010)
	( 854)	( 164 517)	( 165 371)
<b>Acquisitions</b>			
Capital under Construction	32 400	4 637 473	4 669 873
Depreciation	1 854 142	-	1 854 142
Impairment	(1 264 536)	(2 746 157)	(4 009 693)
<b>Carrying value of disposals</b>			
Cost	-	( 236 521)	( 236 521)
Accumulated depreciation	-	( 658 395)	( 658 395)
Accumulated impairment	-	322 074	322 074
<b>Carrying values at 30 June 2011</b>			
Cost	34 725 775	16 606 204	51 332 039
Accumulated Depreciation	(36 694 639)	(27 359 879)	(64 054 518)
Accumulated Impairment	(1 857 410)	(10 328 098)	(12 185 508)
	( 854)	( 104 517)	( 105 371)
<b>Reconciliation of Carrying Value</b>			
<b>Carrying values at 1 July 2009</b>			
Cost	30 516 405	16 164 843	46 681 248
Accumulated Depreciation	(30 516 405)	(16 330 234)	(46 846 639)
Accumulated Impairment	( 164 505)	(6 301 285)	(6 465 790)
	-	( 185 371)	( 185 371)
<b>Acquisitions</b>			
Capital under Construction	542 991	8 462 160	8 905 151
Depreciation	3 636 021	-	3 636 021
Impairment	(428 388)	(2 788 700)	(3 217 088)
	( 854)	( 56 333)	( 57 187)
<b>Carrying value of disposals</b>			
Cost	-	( 810 225)	( 810 225)
Accumulated depreciation	-	(1 682 303)	(1 682 303)
Accumulated impairment	-	784 090	784 090
	-	97 487	97 487
<b>Carrying values at 30 June 2010</b>			
Cost	34 103 659	15 050 465	49 154 128
Accumulated Depreciation	(34 697 417)	(33 120 301)	(67 817 718)
Accumulated Impairment	(592 934)	(7 303 015)	(7 895 949)
	( 854)	( 164 517)	( 165 371)

Refer to Appendix B for more detail on property, plant and equipment, including those in the process of being constructed.



# WATERBERG DISTRICT MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### 10 INTANGIBLE ASSETS

#### 10.1 Reconciliation of carrying value

	Computer Software	Total
as at 1 July 2010	931 247	931 247
Cost	1 639 224	1 639 224
Accumulated amortisation and impairment losses	( 707 977)	( 707 977)
Acquisitions	102 024	102 024
Work-in-Progress	774 300	774 300
Amortisation	( 171 948)	( 171 948)
Carrying value of disposal	-	-
Cost	-	-
Accumulated amortisation	-	-
as at 30 June 2011	1 635 623	1 635 623
Cost	2 515 548	2 515 548
Accumulated amortisation and impairment losses	( 879 925)	( 879 925)

#### 10.2 Reconciliation of carrying value

	Computer Software	Total
as at 1 July 2009	1 123 599	1 123 599
Cost	1 544 524	1 544 524
Accumulated amortisation and impairment losses	( 420 925)	( 420 925)
Acquisitions	-	-
Work-in-Progress	94 700	94 700
Amortisation	( 287 052)	( 287 052)
Carrying value of disposal	-	-
Cost	-	-
Accumulated amortisation	-	-
as at 30 June 2010	931 247	931 247
Cost	1 639 224	1 639 224
Accumulated amortisation and impairment losses	( 707 977)	( 707 977)

2011  
R

2010  
R

### 11 TRADE AND OTHER PAYABLES

Trade creditors	1 258 491	1 628 857
Accruals	4 579 192	3 816 052
Retentions	37 378	154 960
	<u>5 875 061</u>	<u>5 599 869</u>

The fair value of trade and other payables approximates their carrying amounts.

### 12 CONSUMER DEPOSITS

Abattoir	<u>1 550</u>	<u>7 100</u>
Guarantees held in lieu of abattoir deposits	<u>12 000</u>	<u>12 000</u>

# WATERBERG DISTRICT MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<b>13 PROVISIONS</b>		
Performance bonus:	-	179 830
	<u>-</u>	<u>179 830</u>

Performance bonuses are paid one year in arrears when the municipality has a present obligation as a result of a past event which is the services rendered and it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate of the amount can be made. As the assessment of eligible employees has not taken place at the reporting date, the amount of the performance bonus has not yet been confirmed.

The movement is reconciled as follows:

Balance at beginning of year	179 830	172 254
Contributions/(reversals) to provision	(62 093)	179 830
Expenditure incurred	(117 137)	(172 254)
Balance at year end	<u>-</u>	<u>179 830</u>

The assumptions and basis of calculation was done in terms of the requirements of the Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Manager, 2006. Provision for Performance bonuses are calculated as per the performance agreements & brackets indicated in Section 32(2) of the above Performance Regulations. The maximum exposure was calculated based on the final score of each individual manager at year end and in which bracket those scores fall.

## 14 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

### Conditional Grants from other spheres of Government

Municipal Systems Improvement Grant	340 921	348 217
Finance Management Grant	435 453	403 208
Health Grant	2 088 500	-
Wildlife Centre Grant	399 256	399 256
VLNA Awards	26 517	745 961
Expanded Public Works Incentive Grant	-	251 200
<b>Total Unspent Conditional Grants and Receipts from other spheres of Government</b>	<b>3 290 647</b>	<b>2 147 842</b>

### Other conditional grants

Disaster Grant	-	25 620
<b>Total Unspent Other Conditional Grants and Receipts</b>	<b>-</b>	<b>25 620</b>
<b>Total Unspent Conditional Grants and Receipts</b>	<b>3 290 647</b>	<b>2 173 462</b>

See note 20 for reconciliation of grants.

# WATERBERG DISTRICT MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### 15 RETIREMENT HEALTH CARE LIABILITY

The municipality contributes to a number of defined contribution schemes for pension of all permanent employees and councillors. The funds are governed by the Pension Funds Act of 1956.

The following are defined contributions plans:

- Samwu Provident Fund
- National Fund for Municipal Workers
- Municipal Gratuity Fund
- Municipal Employee Fund
- Joint Municipal Pension Fund
- Municipal Councillors Pension Fund
- Government Employee Pension Fund
- National Fund for Municipal Workers

The municipality also provides certain post-retirement medical benefits to qualifying pensioners. All post-retirement medical benefits are unfunded.

The following are defined benefit plans:

- LA Health
- Discovery Health
- Bonitas Medical Fund
- Key Health Medical Scheme
- Hosmed

In accordance with prevailing legislation, the defined benefit funds are actuarially valued at intervals of not more than two years. The Projected Unit Credit valuation method is used. The latest actuarial valuation was performed on 30 June 2011.

The first actuarial valuation of post-retirement medical benefits was completed on 30 June 2009. Previously, the municipality was exempted from the IAS 19 accounting for defined benefit plans in terms of the Government Gazette 30013 issued 29 June 2007.

The municipality has no legal obligation to settle this liability with any immediate contributions or additional once-off contributions. The municipality intends to continue to contribute to each defined benefit post-retirement medical scheme in accordance with the latest recommendations of the actuary to each scheme.

The accumulated defined benefit obligation in respect of the post-retirement medical contributions are provided, based on calculations of independent actuaries, using methods and assumptions consistent with IAS 19 as follows:

	2011 R	2010 R
<b>Movement in the employee health-care benefit liability:</b>		
Liability as at 1 July	9 703 879	9 631 664
Benefits paid	( 644 430)	( 632 057)
Plan participants contributions	230 875	234 590
Current service cost	423 953	405 391
Interest	876 978	865 857
Actuarial losses / (gains) recognised in Statement of Financial Performance	1 700 981	( 801 566)
<b>Unfunded accrued liability as at 30 June</b>	<b>12 292 246</b>	<b>9 703 879</b>
 Current portion of liability as at 30 June	 <b>1 186 475</b>	 <b>913 953</b>
Non-current portion of liability as at 30 June	<b>11 105 771</b>	<b>8 789 926</b>



# WATERBERG DISTRICT MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<b>15 RETIREMENT BENEFITS (continued)</b>		
The liability as at 30 June consists of:		
In-service members	5 319 264	3 820 277
Continuation members	6 972 982	5 883 602
	<u>12 292 246</u>	<u>9 703 879</u>
Expense recognised in (profit) or loss:		
Current service cost	423 963	405 391
Interest cost	878 978	885 857
Past service cost	-	-
Actuarial losses or (gains)	1 700 981	( 801 506)
	<u>3 001 922</u>	<u>469 682</u>
Principal actuarial assumptions of valuation model used:		
Discount rate	8.70%	9.22%
Health care cost inflation rate	7.27%	7.26%
Average remaining future working lifetime	19.6 years	19.3 years
The effect of a 1% movement in the assumed medical cost trend rate is as follows:		
	1% Increase	1% Increase
Effect on the aggregate of the current service cost and interest cost	19%	20%
Effect on the defined benefit obligation	13%	15%
	1% Decrease	1% Decrease
Effect on the aggregate of the current service cost and interest cost	-15%	-16%
Effect on the defined benefit obligation	-12%	-13%

The Municipality's best estimate of contributions expected to be paid to the plan during the annual period beginning after the balance sheet date is R 441,276.

## 16 LONG SERVICE AWARDS LIABILITY

The municipality provides long-service awards to its permanent employees.

The benefit of long-service award is provided in the form of annual leave and a gift to a certain monetary value.

In accordance with prevailing legislation, the provision is actuarially valued at intervals of not more than two years. The Projected Unit Credit valuation method is used. The latest actuarial valuation was performed on 30 June 2011.

The first actuarial valuation of long-service awards was completed on 30 June 2009. Previously, the municipality was exempted from the IAS 19 accounting for defined benefit plans in terms of the Government Gazette 30013 issued 29 June 2007.

The municipality has no legal obligation to settle this liability with any immediate contributions or additional once-off contributions.

The accumulated defined benefit obligation in respect of the long-service awards are provided, based on calculations of independent actuaries, using methods and assumptions consistent with IAS 19 as follows:

	2011 R	2010 R
<b>Movement in the long-service award liability:</b>		
Liability as at 1 July	972 179	871 931
Benefits paid	( 79 892)	( 90 730)
Current service cost	142 620	151 464
Interest	84 801	75 744
Actuarial losses / (gains)	162 254	( 36 230)
Unfunded accrued liability as at 30 June	<u>1 281 962</u>	<u>972 179</u>

# WATERBERG DISTRICT MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<b>16 LONG SERVICE AWARDS LIABILITY (continued)</b>		
Current portion of liability as at 30 June	<u>76 181</u>	<u>156 680</u>
Non-current portion of liability as at 30 June	<u>1 205 781</u>	<u>815 499</u>
<b>Expense recognised in (profit) or loss:</b>		
Current service cost	142 620	151 464
Interest cost	84 801	75 744
Past service cost	-	-
Actuarial losses / (gains)	<u>162 254</u>	<u>( 36 230)</u>
	<u>389 675</u>	<u>190 978</u>
<i>Principal actuarial assumptions of valuation model used:</i>		
Discount rate	7.67%	9.04%
General salary inflation rate	6.24%	6.34%
<i>The effect of a 1% movement in the assumed general salary inflation rate is as follows:</i>		
	<b>1% Increase</b>	<b>1% Increase</b>
Effect on the aggregate of the current service cost and interest cost	6%	6%
Effect on the defined benefit obligation	6%	5%
	<b>1% Decrease</b>	<b>1% Decrease</b>
Effect on the aggregate of the current service cost and interest cost	-5%	-5%
Effect on the defined benefit obligation	-5%	-5%
The Municipality's best estimate of benefits expected to be paid to the plan during the annual period beginning after the balance sheet date is R 301 141.		
<b>17 SERVICE CHARGES</b>		
Abattoir services	<u>607 783</u>	<u>833 918</u>
<b>18 INTEREST EARNED - EXTERNAL INVESTMENTS</b>		
Bank	<u>8 252 553</u>	<u>8 628 145</u>
Total interest	<u>8 252 553</u>	<u>8 628 145</u>
<b>19 INTEREST EARNED - OUTSTANDING RECEIVABLES</b>		
Abattoir	30 095	34 663
Deposits	-	90
Total interest	<u>30 095</u>	<u>34 753</u>

# WATERBERG DISTRICT MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<b>20 GOVERNMENT AND OTHER GRANTS</b>		
Equitable share	85 214 696	78 598 487
Integrated Transport Plan	-	57 424
Municipal Systems Improvement Grant	757 296	604 477
Finance Management Grant	967 755	1 123 879
Community Based Public Works Programme	-	547 884
Fire Fighting Grant	-	155 855
DBSA Grant	698 058	801 942
IT Municipal Systems Plan Grant	-	92 260
LG SETA Grant	114 055	131 817
Municipal Health Grant	7 881 000	7 451 000
Wildlife Centre Grant	-	2 581 360
LIBSA Grant	-	900 000
VUNA Awards	719 443	4 039
Mayor's Bursary Grant	-	25 000
Disaster Grant	25 620	-
Expanded Public Works Incentive Grant	659 400	-
	<u>97 037 325</u>	<u>93 075 424</u>

### 20.1 Equitable share

The equitable share is an unconditional grant and is utilised to fund disaster management services, environmental health services, projects and operating expenditure.

### 20.2 Integrated Transport Plan

Balance unspent at beginning of year	-	57 424
Current year receipts	-	-
Conditions met - transferred to income	-	( 57 424)
Conditions still to be met - transferred to liabilities	-	-

The grant was utilised to develop the current public transport record system and to review the transport plan and the balance was utilised to implement the integrated transport plan.

### 20.3 Municipal Systems Improvement Grant

Balance unspent at beginning of year	348 217	217 594
Current year receipts	750 000	735 000
Conditions met - transferred to income	( 757 296)	( 604 477)
Conditions still to be met - transferred to liabilities	<u>340 921</u>	<u>348 217</u>

The grant is utilised for the implementation of new legislation, skills development and the GRAP compliance of the fixed asset register. The conditions of the grant were met. No funds have been withheld.

### 20.4 Finance Management Grant

Balance unspent at beginning of year	403 208	527 087
Current year receipts	1 000 000	1 000 000
Conditions met - transferred to income	( 967 755)	( 1 123 879)
Conditions still to be met - transferred to liabilities	<u>435 453</u>	<u>403 208</u>

The grant is utilised for the appointment of financial and audit interns, financial training and assist with the implementation of the MFMA and compliance with GRAP. The conditions of the grant were met. No funds have been withheld.



# WATERBERG DISTRICT MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<b>20 GOVERNMENT GRANTS (continued)</b>		
<b>20.5 Community Based Public Works Program</b>		
Balance unspent at beginning of year	-	547 884
Current year receipts	-	-
Conditions met - transferred to income	-	( 547 884)
Conditions still to be met - transferred to liabilities	-	-
The grant was utilised to fund infrastructure projects. The conditions were met. No funds have been withheld.		
<b>20.6 Fire Fighting Grant</b>		
Balance unspent at beginning of year	-	155 855
Current year receipts	-	-
Conditions met - transferred to income	-	( 155 855)
Conditions still to be met - transferred to liabilities	-	-
The grant was utilised to fund the acquisition of fire fighting equipment.		
<b>20.7 DBSA Grant</b>		
Balance unspent at beginning of year	-	-
Current year receipts	698 058	801 942
Conditions met - transferred to income	( 698 058)	( 801 942)
Conditions still to be met - transferred to liabilities	-	-
The grant was utilised to fund the implementation of a Performance Management System in the District and Local Municipalities.		
<b>20.8 IT Municipal Systems Plan Grant</b>		
Balance unspent at beginning of year	-	92 260
Current year receipts	-	-
Conditions met - transferred to income	-	( 92 260)
Conditions still to be met - transferred to liabilities	-	-
The grant was utilised to fund the IT Master Systems Plan of the municipality. The balance was utilised to implement the recommendation of the IT Master Systems Plan.		
<b>20.9 LG SETA Grant</b>		
Balance unspent at beginning of year	-	-
Current year receipts	114 055	131 817
Conditions met - transferred to income	( 114 055)	( 131 817)
Conditions still to be met - transferred to liabilities	-	-
The grant is utilised for training of officials in the District Municipality.		
<b>20.10 Municipal Health Grant</b>		
Balance unspent at beginning of year	-	-
Current year receipts	9 969 500	7 451 000
Conditions met - transferred to income	(7 881 000)	(7 451 000)
Conditions still to be met - transferred to liabilities	2 088 500	-
The grant is utilised to fund the Environmental Health function that was devolved to the District Municipality.		

# WATERBERG DISTRICT MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<b>20 GOVERNMENT GRANTS (continued)</b>		
<b>20.11 Wildlife Centre Grant</b>		
Balance unspent at beginning of year	399 255	2 980 615
Current year receipts	-	-
Conditions met - transferred to income	-	(2 581 360)
Conditions still to be met - transferred to liabilities	<u>399 255</u>	<u>399 255</u>
The grant is utilised to fund the feasibility study of a district wildlife centre.		
<b>20.12 LIBSA Grant</b>		
Balance unspent at beginning of year	-	-
Current year receipts	-	900 000
Conditions met - transferred to income	-	( 900 000)
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>
The grant was utilised to fund the development of the Lephalale Agricultural Corridor.		
<b>20.13 VUNA Awards</b>		
Balance unspent at beginning of year	745 961	750 000
Current year receipts	-	-
Conditions met - transferred to income	( 719 443)	( 4 039)
Conditions still to be met - transferred to liabilities	<u>26 518</u>	<u>745 961</u>
The VUNA Awards grant is utilised to fund tourism signage erected in the district.		
<b>20.14 Mayor's Bursary Grant</b>		
Balance unspent at beginning of year	-	25 000
Current year receipts	-	-
Conditions met - transferred to income	-	( 25 000)
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>
The grant was utilised to fund study bursaries.		
<b>20.15 Disaster Grant</b>		
Balance unspent at beginning of year	25 620	25 620
Current year receipts	-	-
Conditions met - transferred to income	( 25 620)	-
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>25 620</u>
The grant was utilised to fund relief operations after disasters in the District.		
<b>20.16 Expanded Public Works Incentive Grant</b>		
Balance unspent at beginning of year	251 200	-
Current year receipts	408 200	251 200
Conditions met - transferred to income	( 659 400)	-
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>251 200</u>
The grant is to incentivise municipalities to increase labour intensive employment through infrastructure programmes that maximise job creation and skills development in line with the the EPWP guidelines.		

# WATERBERG DISTRICT MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<b>20 GOVERNMENT GRANTS (continued)</b>		
<b>20.17 Changes in levels of government grants</b>		
Based on the allocations as set out in the Division of Revenue Act, (Act No 12 of 2009), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.		
<b>21 EMPLOYEE RELATED COSTS</b>		
Employee related costs - Salaries and wages	25 712 840	21 267 502
Employee related costs - Contributions for UIF, pension and medical aid & other statutory contributions	6 662 195	5 439 119
Travel and other allowances	5 423 048	5 018 788
Housing benefits and allowances	168 295	190 551
Overtime allowances	47 043	139 908
Performance and other bonuses (increase / (reversal) of provision)	( 62 693)	115 500
<b>Total Employee Related Costs</b>	<b>37 950 528</b>	<b>32 171 368</b>
(Refer to Appendix E1)		
There were no advances to employees.		
<b>Remuneration of the Municipal Manager</b>		
Annual Remuneration	600 829	256 435
Performance- and other bonuses	-	-
Travel and cellphone allowance	267 395	125 250
Contributions to UIF, Medical and Pension Funds	152 316	70 945
<b>Total</b>	<b>1 020 540</b>	<b>452 630</b>
The Municipal Manager was appointed on 1 January 2010.		
<b>Remuneration of the Chief Financial Officer</b>		
Annual Remuneration	719 853	655 503
Performance- and other bonuses	74 250	105 000
Travel and cellphone allowance	180 000	176 000
Contributions to UIF, Medical and Pension Funds	1 497	1 497
<b>Total</b>	<b>975 600</b>	<b>941 000</b>
The Chief Financial Officer was appointed on 11 June 2007.		
<b>Remuneration of Individual Managers:</b>		
<b>Infrastructure Development</b>		
Annual Remuneration	479 107	444 351
Performance- and other bonuses	42 887	-
Travel and cellphone allowance	192 634	178 695
Contributions to UIF, Medical and Pension Funds	98 792	91 734
<b>Total</b>	<b>813 420</b>	<b>714 780</b>
The Infrastructure Development Manager was appointed on 9 July 2007.		



# WATERBERG DISTRICT MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<b>21 EMPLOYEE RELATED COSTS (continued)</b>		
<b>Remuneration of Individual Managers (continued):</b>		
<b>Planning &amp; Economic Development</b>		
Annual Remuneration	494 300	458 014
Performance- and other bonuses	-	-
Travel and cellphone allowance	163 905	152 917
Contributions to UIF, Medical and Pension Funds	116 624	107 904
<b>Total</b>	<b>774 829</b>	<b>718 835</b>

The Planning & Economic Development Manager was appointed on 1 March 2008.

### Corporate Support & Shared Services

Annual Remuneration	555 374	543 038
Performance- and other bonuses	-	67 254
Travel and cellphone allowance	186 980	141 839
Contributions to UIF, Medical and Pension Funds	155 759	149 121
<b>Total</b>	<b>898 113</b>	<b>901 251</b>

The Corporate Support & Shared Services Manager was appointed on 1 January 2008 and has been seconded to Lephalale Local Municipality from 1 December 2009.

### Social Development & Community Services

Annual Remuneration	511 668	232 490
Performance- and other bonuses	-	-
Travel and cellphone allowance	237 462	111 000
Contributions to UIF, Medical and Pension Funds	17 470	749
<b>Total</b>	<b>766 600</b>	<b>344 239</b>

The Social Development and Community Services Manager was appointed on 1 January 2010.

### Executive Mayor's Office

Annual Remuneration	-	-
Performance- and other bonuses	-	-
Travel and cellphone allowance	-	-
Contributions to UIF, Medical and Pension Funds	-	-
Resignation settlement	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

The Manager in the Executive Mayor's Office resigned on 16 February 2009. No subsequent appointment has been made.

There are no post-employment benefits, other long-term benefits or termination benefits provided to Section 56 managers.

# WATERBERG DISTRICT MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<b>22 REMUNERATION OF COUNCILLORS</b>		
Executive Mayor	516 207	528 444
Speaker	417 530	368 013
Full time Mayoral Committee member	423 404	392 866
Mayoral Committee members	827 667	796 587
Councillors	1 246 996	1 315 314
Councillors' pension, medical aid contributions and other statutory	392 712	389 608
<b>Total Councillors' Remuneration</b>	<b>3 824 518</b>	<b>3 791 832</b>

### In kind benefits

The Executive Mayor, Speaker and a Mayoral Committee member are full time councillors. Each is provided with an office and secretarial support at the cost of the Council. The Executive Mayor has use of a Council owned vehicle for official duties and has a driver. The previous Executive Mayor's term in office ended on 21 May 2011 and a new Executive Mayor was appointed on 3 June 2011.

## 23 DEPRECIATION, IMPAIRMENT AND AMMORTISATION

Property, plant and equipment - depreciation	4 009 663	3 217 098
Property, plant and equipment - impairment	-	97 187
Intangible assets - amortisation	171 949	287 051
<b>Total Depreciation, Amortisation and Impairment</b>	<b>4 181 612</b>	<b>3 601 336</b>

## 24 CONTRACTED SERVICES

Contracted service for:		
Fire Fighting	8 388 959	5 904 908
	<b>8 388 959</b>	<b>5 904 908</b>

This is a funded mandate of Waterberg District Municipality which is performed by local municipalities.

# WATERBERG DISTRICT MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<b>25 GENERAL EXPENSES</b>		
Included in general expenses are the following:		
Advertising	99 504	183 129
Audit fees	1 258 702	1 231 388
Bank charges	48 168	44 212
Bursaries	34 436	11 291
Cleaning	105 723	83 887
Consumables	47 984	13 088
Damaged meat claims	-	11 504
Donations	-	37 942
Delegations	81 367	89 004
Entertainment	222 396	203 307
Financial management grant	480 493	761 600
Insurance	664 858	408 445
Legal expenses	602 369	270 402
Membership fees	353 004	299 329
Municipal account - water, rates & electricity	593 982	418 444
Municipal systems improvement grant	757 296	604 478
Postage	4 785	6 125
Printing and stationery	257 847	312 426
Professional fees	-	12 982
Rental of buildings / offices	35 961	17 852
Rental of office equipment	697 401	252 033
Security costs	856 118	447 788
Subscription and publication	8 988	25 469
Telephone & cell phone expenses	584 624	494 663
Training	251 584	175 917
Travel and subsistence	2 056 100	2 550 847
Vehicle costs	323 873	362 456
Other	1 152 561	1 910 059
	<b>11 580 134</b>	<b>11 239 867</b>
<b>26 GAIN / (LOSS) ON SALE OF ASSETS</b>		
Property, plant and equipment	( 230 403)	( 458 000)
Intangible assets	-	-
<b>Total Gain / (Loss) on Sale of Assets</b>	<b>( 230 403)</b>	<b>( 458 000)</b>
<b>27 REVERSAL OF IMPAIRMENT LOSS</b>		
Other financial assets		
An investment amounting to R 572 713 capital is held with New Republic Bank, which is presently under receivership. The investment was written down to fair value.	-	-
An investment amounting to R322 264 capital is held with Regal Treasury Bank which is presently under liquidation. The investment was written off. Subsequently an additional liquidation was received.	3 640	-
<b>Total Reversal of Impairment loss</b>	<b>3 640</b>	<b>-</b>



# WATERBERG DISTRICT MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<b>28 ACCUMULATED SURPLUS AND RESERVES</b>		
As the individual classification of the following reserves are not required in terms of GRAP 9, the following split is not disclosed on the face of the Statement of Financial Position and is merely utilised for internal reporting:		
Government Grant Reserve	735 644	948 753
Donations and Public Contributions Reserve	1 393 219	1 575 455
Accumulated Surplus	<u>159 555 960</u>	<u>142 902 735</u>
	<b><u>161 684 823</u></b>	<b><u>145 426 943</u></b>
<b>29 CASH GENERATED FROM OPERATIONS</b>		
Net surplus for the year	16 257 881	23 063 962
Adjustment for non-cash movements:		
Depreciation and amortisation	4 181 812	3 601 336
(Gain) / Loss on sale of assets	230 403	458 000
Reversal of investment loss	( 3 640)	-
Increase in retirement health care liability	2 588 367	72 215
Increase in long service awards liability	309 783	100 248
Contributions to provisions - current	( 179 830)	7 576
<b>Operating surplus before working capital changes</b>	<b><u>23 384 576</u></b>	<b><u>27 303 337</u></b>
Decrease in trade receivables	4 338	14 843
Decrease/(Increase) in other receivables	443 290	(1 128 523)
Decrease/(Increase) in inventory	( 12 520)	20 718
Increase in VAT receivable	( 340 752)	(1 154 010)
Increase in Non-current assets held for sale	( 1)	-
(Decrease)/Increase in trade payables	275 192	(1 908 696)
Decrease in consumer deposits	( 5 550)	( 3 765)
(Decrease)/Increase in Unspent Conditional Grants and Receipts	1 117 185	(3 205 975)
<b>Cash generated from operations</b>	<b><u>24 865 766</u></b>	<b><u>19 937 929</u></b>
<b>30 CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents in the cash flow statement comprise the following statements of amounts indicating financial position:		
Bank balance	5 537 272	8 319 197
Short-term investment deposits	103 372 188	79 297 400
Petty cash	<u>2 200</u>	<u>2 200</u>
	<b><u>108 911 660</u></b>	<b><u>87 618 797</u></b>

# WATERBERG DISTRICT MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### 31 CORRECTION OF PRIOR PERIOD ERRORS

#### 31.1 Inclusion of store room building in asset register

During the current year the municipality discovered that the store room building was never captured in the asset register. According to the transitional provisions of GAMAP 17 Property, Plant and Equipment any asset that was donated or received at nominal amount should be included in the Statement of Financial Performance at a cost amounting to its fair value. The fair value cost price of the land was included in the asset register, but not the fair value cost price of the building. The transitional provisions of GRAP 17 is consistent with that of GAMAP 17. The fair value was determined on 28 November 2005.

The comparative amounts for 2010 have been restated.

The effect on the 2009 and 2010 balances are as follows:

	Corrected R	Adjustment R	Previous R
<b>As at 1 July 2009</b>			
Property, Plant & Equipment - Cost	38 074 044	120 000	37 954 044
Property, Plant & Equipment - Accumulated Depreciation	(8 856 723)	( 14 333)	(8 842 390)
Accumulated Surplus	(116 756 108)	( 105 667)	(116 650 441)

This is the amount of the adjustment related to period prior to 1 July 2009.

#### Statement of Financial Performance 2010

Depreciation	2 650 379	4 000	2 646 379
--------------	-----------	-------	-----------

#### Statement of Financial Position 2010

Property, Plant and Equipment - Accumulated Depreciation	(10 383 679)	( 4 000)	(10 379 679)
--	--------------	----------	--------------

#### 31.2 Inclusion of laptop in asset register at cost

During the current year the municipality discovered that one of the laptops was never captured in the asset register. The laptop was purchased on 29 May 2009 at a cost of R 13,333.60. This is now captured as asset number 050474. This laptop was procured and expensed in Project Expenditure 15174.

The comparative amounts for 2010 have been restated.

The effect on the 2009 and 2010 balances are as follows:

	Corrected R	Adjustment R	Previous R
<b>As at 1 July 2009</b>			
Property, Plant & Equipment - Cost	38 087 378	13 334	38 074 044
Property, Plant & Equipment - Accumulated Depreciation	(8 856 948)	( 222)	(8 856 723)
Accumulated Surplus	(116 769 219)	( 13 111)	(116 756 108)

This is the amount of the adjustment related to period prior to 1 July 2009.

#### Statement of Financial Performance 2010

Depreciation	2 653 046	2 667	2 650 379
--------------	-----------	-------	-----------

#### Statement of Financial Position 2010

Property, Plant and Equipment - Accumulated Depreciation	(10 386 346)	( 2 667)	(10 383 679)
--	--------------	----------	--------------

# WATERBERG DISTRICT MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### 31 CORRECTION OF PRIOR PERIOD ERRORS *(continued)*

#### 31.3 Work-in-Progress

During the current year the municipality discovered that the amount capitalised to Work-in-Progress for the Abattoir construction cost in 2010 was understated. The addition was erroneously included in operating project expenditure instead of work-in-progress.

The comparative amounts for 2010 have been restated.

The effect on the 2009 and 2010 balances are as follows:

	Corrected R	Adjustment R	Previous R
<b>As at 1 July 2009</b>			
Accumulated Surplus	(116 769 219)	-	(116 769 219)
<b>Statement of Financial Performance</b>			
Project expenditure	21 267 295	( 323 420)	21 590 715
<b>Statement of Financial Position</b>			
Property, Plant and Equipment - Work in Progress	12 397 284	323 420	12 073 863

### 32 CHANGE IN ACCOUNTING POLICY

#### 32.1 Identification of residual values, review of lifespans and impairment testing

During the year the municipality implemented the identification of residual values, the review of lifespans and impairment testing on Property, Plant and Equipment. This was previously exempted under Directive 4. The municipality implemented earlier, that is in year three, other than the allowed after year three. The changes in accounting policy have been implemented retrospectively. Any future changes due to annual reviews will be implemented prospectively in terms of the requirements of change in accounting estimates.

The comparative amounts for 2010 have been restated.

The effect on the 2009 and 2010 balances are as follows:

	Corrected R	Adjustment R	Previous R
<b>As at 1 July 2009</b>			
Property, Plant & Equipment - Cost	38 087 378	-	38 087 378
Property, Plant & Equipment - Accumulated Depreciation	(6 065 801)	2 791 144	(8 856 946)
Property, Plant & Equipment - Accumulated Impairment	( 165 371)	( 165 371)	-
Accumulated Surplus	(119 358 827)	(2 589 608)	(116 769 219)
Grant Reserve	(1 121 897)	( 40 432)	(1 081 465)
Donations Reserve	(1 882 257)	4 266	(1 886 523)

This is the amount of the adjustment related to period prior to 1 July 2009.

#### Statement of Financial Performance 2010

Depreciation	3 217 098	564 052	2 653 046
Loss on sale of PPE	555 187	338 665	216 522

#### Statement of Financial Position 2010

Property, Plant and Equipment - Accumulated Depreciation	(8 497 919)	( 902 717)	(7 595 202)
Property, Plant & Equipment - Accumulated Impairment	( 165 371)	-	( 165 371)
Grant Reserve	( 948 753)	89 859	(1 038 612)
Donations Reserve	(1 575 465)	45 900	(1 621 355)



# WATERBERG DISTRICT MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<b>33 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED</b>		

### 33.1 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

Opening Balance	76 844	66 315
Fruitless and wasteful expenditure awaiting condonement	-	-
To be recovered - Contingent Asset	-	66 315
Fruitless and wasteful expenditure current year	-	20 288
Fruitless and wasteful expenditure recovered during the current year	-	( 9 759)
Condoned or written off by Council	( 76 844)	-
Closing balance	-	76 844
Fruitless and wasteful expenditure awaiting condonement	-	10 529
To be recovered - Contingent Asset	-	66 315

#### Current year

There were no material incidents of fruitless and wasteful expenditure in the current financial year.

#### Prior year

The R 66 315 expenditure arose from late payment to a contractor on an MIG project. The disciplinary case against the employee responsible was finalised in December 2006. The municipality wrote off the balance owed in the current financial year.

One cattle was lost at a value of R 10 529, the amount was reimbursed to client. Four sheep and one cattle was stolen at the abattoir at a value of R 9 759, the clients were reimbursed and the value of the theft was recovered from the WDM security company.

### 33.2 Irregular expenditure

Reconciliation of irregular expenditure:

Opening Balance	1 160 204	366 070
Irregular expenditure current year	140 200	794 134
Condoned or written off by Council	(1 160 204)	-
To be recovered - Contingent Asset	-	-
Irregular expenditure awaiting condonement	<u>140 200</u>	<u>1 160 204</u>

#### Current year

The Office of the Executive Mayor incurred irregular expenditure of R 140 200 on the provision of transport to the voter registration mobilization campaign for the youth. Voter registration is an activity unrelated to the functional area of the vote utilised, which is Community Participation.

#### Prior year

The Infrastructure Department incurred irregular expenditure of R 366 070 on the consulting fees of the construction project on the Modimolle Disaster Centre. The fees of the contractor was adjusted without a subsequent adjustment to the consulting fees which lead to irregular expenditure at the conclusion of the contract.

The Office of the Municipal Manager extended the services of the service provider for the Performance Management System without following the requirements of the WDM SCM Policy. Subsequent payment without an order to an amount of R 794,134 was made and this deviation from the WDM SCM Policy and SCM Regulations constitute irregular expenditure.

# WATERBERG DISTRICT MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<b>33 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (continued)</b>		

### 33.3 Unauthorised expenditure

Reconciliation of unauthorised expenditure.

Opening Balance	-	-
Unauthorised expenditure current year	-	-
Condoned or approved by Council	-	-
To be recovered - Contingent Asset	-	-
Unauthorised expenditure awaiting authorisation	<u>-</u>	<u>-</u>

#### Current year

There were no material incidents of unauthorised expenditure in the current financial year.

#### Prior year

There were no material incidents of unauthorised expenditure in the previous financial year.

## 34 ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT

### 34.1 Contributions to organised local government

Opening Balance	-	37 802
Council subscriptions	280 391	264 732
Amount Paid - current year	( 280 391)	( 264 732)
Amount paid - previous years	-	( 37 802)
Balance unpaid (included in payables)	<u>-</u>	<u>-</u>

### 34.2 Audit fees

Opening balance	-	-
Current year audit fees - statutory	1 258 702	1 231 388
Prior year audit fee - forensic	-	-
Amount paid - current year	(1 258 702)	(1 231 388)
Amount paid - previous years	<u>-</u>	<u>-</u>

### 34.3 VAT

VAT input receivables and VAT output payables are shown in note 6. All VAT returns have been submitted by the due date throughout the year.

### 34.4 PAYE

Opening Balance	-	-
Current year payroll deductions	6 688 244	5 778 848
Amount Paid - Current year	(6 688 244)	(5 778 848)
Amount paid - previous years	<u>-</u>	<u>-</u>

# WATERBERG DISTRICT MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<b>34 ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT</b>		
<b>34.5 PENSION AND MEDICAL AID DEDUCTIONS</b>		
Opening balance	-	-
Current year payroll deductions and council contributions	9 952 561	8 270 426
Amount Paid - Current year	(9 952 561)	(8 270 426)
Amount Paid - Previous years	-	-
	<u>-</u>	<u>-</u>
<b>35 REMUNERATION OF AUDIT COMMITTEE MEMBERS</b>		
Remuneration	<u>16 980</u>	<u>55 819</u>
3 Members serve on the Audit Committee. The members are paid an allowance per day and are reimbursed for travel expenses. The term of the previous audit committee expired on 30 September 2010. The new audit committee was appointed effective 1 August 2011.		
<b>36 CAPITAL COMMITMENTS</b>		
<b>36.1 Commitments in respect of capital expenditure:</b>		
Approved and contracted for		
- Computer software	60 540	117 770
- Vehicles	4 114 874	906 530
- Disaster Management	406 500	-
- Infrastructure	1 139 120	92 496
- Movable assets	28 270	-
	<u>5 809 304</u>	<u>1 116 796</u>
The expenditure will be financed from:		
- Own resources	<u>5 809 304</u>	<u>1 116 796</u>
<b>36.2 Commitments in respect of operating project expenditure:</b>		
Approved and contracted for		
- Disaster Management	978 855	434 000
- Communication & Community Participation	156 390	886 082
- Sports, Arts & Culture	144 100	149 611
- Infrastructure	6 064 033	-
- Solid waste and environment	587 434	-
- Local Economic Development	520 000	1 207 450
- Land development	106 535	-
- Institutional development	76 705	120 965
	<u>8 614 052</u>	<u>2 808 108</u>
The expenditure will be financed from:		
- Own resources	8 614 052	2 258 108
- Government Grants	-	550 000
	<u>8 614 052</u>	<u>2 808 108</u>



# WATERBERG DISTRICT MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<b>36 CAPITAL COMMITMENTS (continued)</b>		
<b>36.3 Commitments in respect of operating leases:</b>		
At the reporting date the municipality has outstanding commitments under operating leases which fall due as follows:		
Operating leases - lessee		
Within one year	677 429	16 621
In the second to fifth year inclusive	723 044	-
<b>Total</b>	<b>1 400 473</b>	<b>16 621</b>

Operating lease payments represent rentals payable by the municipality for copiers and faxes with Xerox and office space from Lugkoring (Pty) Ltd.

The contingent rental for telephones is based on the prime interest rate. This contingent rental is not included in the future minimum lease payments.

All rentals are either fixed term fixed amount contracts or contingent rentals and therefore no smoothing of leases is necessary.

There are no renewal or purchase options and no restrictions have been placed on the lease payments.

### 37 RELATED PARTIES

Municipal Entity	Waterberg Economic Development Agency
Key Management	Refer to note 21

There are no other related party transactions or balances for the current year. Waterberg Economic Development Agency is currently dormant.

### 38 EVENTS AFTER THE REPORTING DATE

There are no material events that occurred after the balance sheet date.

### 39 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS

The following areas involve a significant degree of estimation uncertainty:

- Useful lives and residual values of property, plant and equipment
- Useful lives and residual values of intangible assets
- Recoverable amounts of property, plant and equipment
- Recoverable amounts of intangible assets
- Present value of defined benefit obligations
- Provision for doubtful debts
- Impairment of assets
- Provision of long-term long-service awards

# WATERBERG DISTRICT MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### 40 RISK MANAGEMENT

The main risks of the Municipality are interest rate risk, liquidity risk, credit risk and the fair value of financial instruments.

#### 40.1 Cash flow interest rate risk

The municipality's interest rate risk arises from investments. Investments at variable rates expose the municipality to cash flow interest rate risk. Investments at fixed rates expose the municipality to fair value interest rate risk. The municipal policy is to not invest more than 35% of funds with one institution and to invest at different maturity dates over the short term to alleviate major fluctuations in the interest rates. The majority of investments are fixed rate investments.

At year-end, financial instruments exposed to interest rate risk were as follows:

- Current bank account	5 537 272	8 319 197
- Call deposits	14 063 194	3 054 696
- 60 days fixed deposits	37 095 441	21 088 101
- 90 days fixed deposits	52 213 553	55 154 603
- 6 month fixed deposits	18 084 987	22 102 744
	<u>126 994 447</u>	<u>109 719 341</u>

#### 40.2 Currency risk

The Municipality does not have currency risk as in terms of section 163 of the Municipal Finance Management Act, No 56 of 2003, no municipality may incur a liability or risk payable in a foreign currency.

#### 40.3 Liquidity risk

The Municipality's risk to liquidity is a result of the funds available to cover future commitments. The Municipality's strong credit profile and diversified funding sources ensure that sufficient liquid funds are maintained to meet its daily cash requirements. The Municipality's policy on counterpart credit exposures ensures that only counterparties of a high credit standing are used for the investments of any excess cash.

The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

30 June 2011	Not later than one month	One to three months
Trade and other payables	1 258 491	848 244
Consumer deposits	-	-
Provisions	-	-
Unspent conditional grants & receipts	435 453	2 429 421
	<b>Later than three months</b>	<b>One to five years</b>
Trade and other payables	768 326	3 000 000
Consumer deposits	-	1 550
Provisions	-	-
Unspent conditional grants & receipts	425 773	-

# WATERBERG DISTRICT MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	R	R

### 40 RISK MANAGEMENT (continued)

#### 40.4 Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors.

To manage the risk the Municipality has a credit control policy. As part of these processes the financial viability of all counterparties is regularly monitored and assessed.

##### *Counterparties:*

The Municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty. The Municipality has no significant concentration of credit risk with any single counterparty or a group of counterparties.

#### 40.5 Fair value of financial instruments

At year end the carrying amounts of cash and short-term deposits, trade and other receivables and trade and other payables approximated their fair values due to the short-term maturities of these assets and liabilities.

### 41 RESTATEMENT OF COMPARATIVE INFORMATION

Various comparative figures have been restated in terms of the prior period errors note 31 and change in accounting policy note 32. The effect of the restatement is summarised in this note.

### 42 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures E(1) and E(2).



# WATERBERG DISTRICT MUNICIPALITY

## APPENDIX A SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011

EXTERNAL LOANS	Loan Number	Redeemable	Balance at 2010/06/30	Received during the period	Redeemed written off during the period	Balance at 2011/06/30	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
TOTAL EXTERNAL LOANS			-	-	-	-	-	-

**APPENDIX B**  
**WATERBERG DISTRICT MUNICIPALITY**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2011**

Description	Opening Balance				Under Construction				Cost / Revaluations				Accumulated Depreciation / Impairment				Carrying Value
	R	R	R	R	Business Inv.	Added	Completed	Under Construction	Transfers	Disposals	Closing Balance	R	R	R	R	Closing Balance	
<b>Land and Buildings</b>																	
Land	728 000	-	-	-	-	-	-	-	-	-	728 000	-	-	-	-	-	728 000
Land Developed	437 500	-	-	-	-	-	-	-	-	-	437 500	-	-	-	-	-	437 500
Land Underdeveloped	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Buildings</b>																	
Office Buildings	9 298 534	20 680	-	-	-	-	-	-	-	-	9 319 214	572 574	357 129	-	-	9 676 343	7 390 313
Workshops & Depots	493 737	-	-	-	-	-	-	-	-	-	493 737	16 534	26 653	-	-	510 321	490 340
	<b>9 940 771</b>	<b>20 680</b>	-	-	-	-	-	-	-	-	<b>9 812 951</b>	<b>589 108</b>	<b>417 781</b>	-	-	<b>1 000 889</b>	<b>8 813 822</b>
<b>Community Assets</b>																	
Other Facilities	958 422	-	-	-	-	1 755 561	-	-	-	-	2 033 983	82 729	48 593	-	-	2 164 305	5 307 542
Motels	11 085 408	2 800	-	-	9 174 104	98 400	(9 272 584)	6 879 341	8 272 584	-	30 071 400	738 865	000 122	-	-	1 070 001	19 832 889
Fire Stations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>12 064 918</b>	<b>2 800</b>	<b>12 387 284</b>	<b>1 854 141</b>	<b>(9 272 584)</b>	<b>4 970 841</b>	<b>4 970 841</b>	<b>9 272 584</b>	<b>9 272 584</b>	<b>-</b>	<b>26 309 144</b>	<b>821 594</b>	<b>348 715</b>	<b>-</b>	<b>-</b>	<b>1 663 313</b>	<b>24 646 931</b>
<b>Other Assets</b>																	
Bins and Containers	17 400	-	-	-	-	-	-	-	-	-	17 400	14 014	1 657	-	-	18 071	320
Household Refuse Bins	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Computer Equipment</b>																	
Computer Hardware	3 010 080	301 242	-	-	-	-	-	-	-	(32 352)	3 278 970	1 537 962	485 811	-	(48 081)	1 545 412	1 304 437
Computer Networks	185 821	-	-	-	-	-	-	-	-	-	185 821	23 436	20 267	-	-	43 153	142 800
<b>Emergency Equipment</b>																	
Emergency Lights	10 119	-	-	-	-	-	-	-	-	-	10 119	10 119	-	-	-	10 119	-
Fire Fighting Equipment	580 055	284 092	-	-	-	-	-	-	-	-	864 147	78 707	144 855	-	-	229 652	634 654
<b>Furniture and Fittings</b>																	
Advertising Boards	15 391	-	-	-	-	-	-	-	-	-	15 391	1 348	3 535	-	-	4 203	10 608
Cabinets and Cupboards	965 581	88 121	-	-	-	-	-	-	-	(9 135)	644 567	280 500	62 670	-	(3 085)	940 481	250 015
Chairs and Couches	844 211	193 934	-	-	-	-	-	-	-	(8 075)	1 030 070	485 485	99 003	-	(4 450)	560 823	446 740
Desks and Tables	679 855	98 005	-	-	-	-	-	-	-	(8 000)	770 855	332 875	88 714	-	(3 440)	441 249	529 802
Domestic / Hotel Furniture	30 100	24 240	-	-	-	-	-	-	-	-	54 340	2 135	3 651	-	-	5 787	48 559
Other Furniture and Fittings	40 274	20 894	-	-	-	-	-	-	-	(1 200)	60 018	7 551	7 830	-	(988)	14 782	49 354

**APPENDIX B**  
**WATERSIDE DISTRICT MUNICIPALITY**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2011**

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2011													
Description	Cost / Revaluation					Accumulated Depreciation / Impairment					Carrying Value		
	Opening Balance	Additions	Under Construction		Transfer/s	Disposals	Closing Balance	Operating Balance	Additions	Transfer/s		Disposals	Closing Balance
			Balance b/f	Acquired									
	R	R	R	R	R	R	R	R	R	R	R	R	R
Office Equipment	317 434	70 500	-	-	-	-	387 934	85 429	51 318	-	-	-	103 248
Air Conditioners (Individual)	253 583	-	-	-	-	-	240 587	105 280	23 782	-	-	(2 878)	126 356
Acoustic Equipment	25 000	-	-	-	-	-	25 000	1 557	1 557	-	-	-	33
Chairs, Decorations and Robots	40	-	-	-	-	-	40	-	-	-	-	-	40
Cutlery and Crockery	89 959	29 500	-	-	-	-	101 239	47 835	15 182	-	-	(9 485)	14 549
Kitchen Appliances	1 381	4 500	-	-	-	-	5 881	1 243	830	-	-	-	2 042
Learning / Training Materials	115 245	-	-	-	-	-	114 740	49 417	12 250	-	-	(10 205)	81 438
Office Equipment / Machines	66 947	-	-	-	-	-	66 947	22 013	3 146	-	-	-	31 188
Paintings, Sculptures and Ornaments	21 750	2 335	-	-	-	-	24 084	7 718	2 865	-	-	-	31 067
Photographic Equipment	44 065	218	-	-	-	-	44 283	10 553	5 574	-	-	-	22 307
Other Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant and Equipment:	107 088	43 202	-	-	-	-	150 290	89 439	7 595	-	-	-	101 024
Abator Equipment / Tools	588 808	52 960	-	-	-	-	641 868	89 859	87 393	-	-	-	167 101
Compressors, Generators and Air	868 550	31 728	-	-	-	-	900 278	107 813	14 998	-	-	-	337 500
Fire Brigade Vehicle Accessories	45 280	44 694	-	-	-	-	89 974	8 550	13 269	-	-	-	22 159
Graveling Equipment	14 873	-	-	-	-	-	14 873	11 630	1 427	-	-	-	1 336
Health Equipment / Tools	57 582	-	-	-	-	-	57 582	2 825	5 725	-	-	-	40 440
Pumps / Plumbing / Purification / S	36 529	-	-	-	-	-	36 529	2 825	6 036	-	-	-	8 481
Radio Equipment	133 305	-	-	-	-	-	133 305	18 821	29 083	-	-	-	48 386
Telecommunication Equipment	28 330	-	-	-	-	-	28 330	1 045	3 161	-	-	-	4 210
Tents, Flags and Accessories	21 388	-	-	-	-	-	21 388	12 353	2 567	-	-	-	22 518
Workshop Equipment	6 291	-	-	-	-	-	6 291	4 742	755	-	-	-	7 629
Workshop Tools	28 018	0 530	-	-	-	-	28 548	8 647	3 790	-	-	-	23 052
Other Plant and Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Motor Vehicles:	2 191 501	558 286	-	-	-	-	2 749 787	687 468	208 131	-	-	(135 648)	1 783 448
Bakkies (LDV's)	1 467 910	-	-	-	-	-	1 467 910	357 834	137 883	-	-	(104 184)	872 601
Motor Cars	6 500	-	-	-	-	-	6 500	3 000	712	-	-	-	2 788
Trailers and Accessories	4 192 271	-	-	-	-	-	4 192 271	1 803 719	455 227	-	-	-	1 853 329
Trucks	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised Vehicles	4 252 713	2 921 793	-	-	-	-	7 174 506	300 384	905 227	-	-	-	229 230
Fire Engines	2 454 457	-	-	-	-	-	2 454 457	595 235	142 598	-	-	-	138 324
Rescue Vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	23 418 448	4 837 472	12 397 204	1 054 142	10 277 584	4 978 841	37 239 333	7 258 553	2 745 187	-	-	(522 074)	11 676 569
							63 093 918	8 563 290	4 005 483	-	-	(302 074)	12 350 879



# APPENDIX C

## WATERBERG DISTRICT MUNICIPALITY SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2011

Department	Cost / Revaluation						Accumulated Depreciation / Impairment				Carrying Value		
	Opening Balance	Additions	Balance b/f	Under Construction	Completed	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance		Additions	Disposals
Budget & Treasury Office	R 587 647	R 29 279	-	-	-	-	-	-	R 306 528	R 241 632	69 799	-	R 297 432
Municipal Manager	269 848	28 530	-	-	-	-	-	(23 726)	274 481	157 307	36 250	(11 011)	461 048
Corporate Support & Shared Services	13 178 542	333 551	-	-	-	-	-	(412 558)	13 899 495	2 338 481	843 864	(240 525)	3 836 520
Planning & Economic Development	205 823	32 473	-	-	-	-	-	(13 208)	225 087	193 024	30 678	(6 631)	377 937
Infrastructure Development	203 217	36 350	-	-	-	-	-	-	278 582	110 183	31 252	-	441 880
Executive Mayor's Office	2 315 052	93 848	-	-	-	-	-	(11 658)	2 392 862	797 482	261 257	(7 321)	1 000 825
Social Development & Community Serv	257 362	8 000	-	-	-	-	-	-	213 362	86 720	28 474	-	110 704
Fire Fighting	28 545 334	4 109 057	9 174 104	98 480	(5 272 584)	-	5 272 584	(13 728)	40 003 349	4 284 052	2 571 551	(3 803)	8 263 767
Environmental Health	503 978	8 456	-	-	-	-	-	(82 478)	473 956	218 352	88 965	(45 583)	340 764
Abolished	1 387 522	114 605	3 223 180	1 755 001	-	4 878 841	-	-	4 060 960	325 982	88 511	-	304 483
Total	45 420 335	4 869 852	12 387 284	1 854 142	(8 272 584)	4 878 841	9 272 584	(558 295)	83 882 010	8 553 289	4 009 563	(122 074)	12 350 879
													31 632 038

# WATERBERG DISTRICT MUNICIPALITY

## APPENDIX D

### SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011

	2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R		2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R
	88 054 581	8 190 918	79 863 663	Budget & Treasury	94 234 565	9 300 505	84 934 060
	1 747 430	9 088 513	(7 351 083)	Municipal Manager	1 761 578	7 777 015	(8 015 437)
	285 927	9 376 379	(9 090 452)	Corporate Support & Shared Services	179 726	12 396 517	(12 216 791)
	3 542 822	8 515 908	(4 973 086)	Planning and Economic Development	724 443	9 055 227	(8 330 784)
	547 884	8 882 880	(8 334 996)	Infrastructure Development	659 400	6 000 104	(5 340 704)
	25 000	12 789 154	(12 764 154)	Executive Mayor's Office	7 500	12 503 122	(12 595 622)
	-	808 111	(808 111)	Social Development & Community Services	-	2 554 841	(2 554 841)
	157 234	9 653 038	(9 495 804)	Disaster Management	42 105	15 957 578	(15 915 473)
	7 451 000	9 204 650	(1 753 650)	Environmental Health	7 881 000	10 822 911	(2 941 911)
	868 561	3 106 946	(2 238 385)	Abattoir	637 878	3 402 494	(2 764 616)
	<u>102 690 459</u>	<u>79 626 497</u>	<u>23 063 962</u>	<b>TOTAL</b>	<u>106 128 195</u>	<u>89 870 314</u>	<u>16 257 881</u>

**WATERBERG DISTRICT MUNICIPALITY**  
**UNAUDITED INFORMATION - APPENDIX E(1)**  
**ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2011**

REVENUE	2011 Actual R	2011 Budget R	2011 Variance R	2011 Variance %	Explanation of Significant Variances greater than 10% versus Budget
Abattoir service charges	607 763	725 500	(117 737)	-16%	Abattoir income is lower than budgeted due to a lower than budgeted throughput
Interest earned - external investments	8 252 553	8 400 000	(147 447)	-2%	
Interest earned - outstanding debtors	30 095	25 000	5 095	20%	Client and tenant that gave notice at the abattoir did not settle their accounts on regularity
Government grants and subsidies	97 007 325	97 410 469	(373 144)	0%	The disputes was handed over in the previous financial year and the projection was that they be resolved during the past financial year. The disputes remain unresolved
Other income	192 660	72 000	120 660	168%	Received a Workmen Compensation Merit Award that was not budgeted. Tender document sales was higher than projected due to bigger interest by bidders
Reversal of impairment loss	3 640	-	3 640	100%	The investment was written off as irrecoverable, but subsequently received another dividend.
<b>Total Revenue</b>	<b>108 124 064</b>	<b>106 532 969</b>	<b>(1 508 915)</b>		
<b>EXPENDITURE</b>					
Employee related costs	(37 950 520)	(44 595 320)	6 644 782	-15%	The underspending is due to vacancies that existed in various departments.
Remuneration of Councilors	(3 824 518)	(4 403 665)	579 177	-13%	The underspending is due to the downgrading of the municipality from a grade 4 to a grade 3. Thus grade 4 salaries was budgeted, but grade 3 salaries was actually paid
Past retirement health care expenditure	(3 001 922)	(1 391 262)	(1 610 540)	150%	The effect of implementation of IAS 19 Employee Benefits defined benefit valuations were budgeted based on the prior year forecast but actual discount rates were different.
Long service award expenditure	(369 575)	1 265 225)	(1 24 450)	47%	The effect of implementation of IAS 19 Employee Benefits defined benefit valuations were budgeted based on the prior year forecast but actual discount rates were different
Baid debt	(1 29 590)	(35 000)	5 404	-15%	Provision for bad debts was slightly overbudgeted as no new disputes occurred.
General expenses	(11 380 134)	(14 676 240)	3 096 152	-21%	Mainly due to underspending on tools & kits, subsistence & travel, finance management and municipal system improvement grant expenditure. The underspending on certain votes such as subsistence & travel is due to austerity measures implemented.
Repairs & Maintenance	(481 058)	(573 881)	(57 823)	-17%	Under spending on repairs and maintenance of buildings and machines due to the current upgrades being done on the facilities.
Fire Fighting	(8 388 959)	(10 660 061)	2 471 102	-23%	Budgets are prepared based on submission of local municipalities and all under spent on their budgets, amongst others, due to late filing of vacancies, but also due to new equipment procured which consequently decrease repairs and maintenance cost.
Project expenditure	(19 907 768)	(35 639 778)	15 632 010	-44%	Under spending of projects due to some late appointments and there are also instances where appointments was postponed to the 2011/2012 financial year, e.g. Integrated Financial Management System due to errors in the SITA procurement process
Depreciation and amortisation	(4 161 612)	(3 589 080)	(1 592 612)	17%	Depreciation is more than budgeted due to the implementation of the review of residuals and lifespan which was implemented this year for the first time and the effect of this implementation was not budgeted
Loss on disposal of Property, Plant and Equipment	(1 230 403)	-	(1 230 403)	100%	Assets written off after annual fixed asset count was not budgeted for. Also due to the implementation of the review of residuals and lifespan which was implemented this year for the first time, which ultimately increased the net book values of assets written off during the year and the effect of this implementation was not budgeted
<b>Total Expenditure</b>	<b>(89 866 173)</b>	<b>(116 036 620)</b>	<b>26 170 355</b>		
<b>NET SURPLUS FOR THE YEAR</b>	<b>18 257 881</b>	<b>(9 403 650)</b>	<b>25 661 440</b>		



# WATERBERG DISTRICT MUNICIPALITY

## UNAUDITED INFORMATION - APPENDIX E(2)

### ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2011

	2011 Actual	2011 Under Construction	2011 Revaluation	2011 Total Additions	2011 Budget	2011 Variance	2011 Variance	Explanation of Significant Variances greater than 10% versus Budget
	R	R	R	R	R	R	%	
Land and Buildings								
Land	-	-	-	-	-	-	-	
Buildings & Facilities	32 480	1 854 142	-	1 886 622	3 055 055	(1 169 433)	-38%	Phase 2 of the Upgrade of the Abattoir has not yet been completed.
Other Assets								
Bins and Containers	-	-	-	-	-	-	0%	
Computer Equipment	361 242	-	-	361 242	363 927	(2 686)	-1%	
Emergency Equipment	204 082	-	-	204 082	1 860 741	(1 576 649)	-85%	The procurement of Bela Bela Skid Units & Equipment for main fire station, Masakhane, Pienaarshoof & Rapotokwane has not yet been completed.
Furniture and Fittings	421 838	-	-	421 838	425 000	(3 101)	-1%	
Office Equipment	109 053	-	-	109 053	115 000	(5 947)	-5%	
Plant and Equipment	191 105	-	-	191 105	185 000	(3 895)	-2%	
Motor vehicles	558 286	-	-	558 286	560 257	(1 971)	0%	
Specialised vehicles	2 921 795	-	-	2 921 795	5 513 001	(2 591 206)	-47%	The new rescue pumper for Mogalakwena still has to be procured, time delays as certain parts are imported.
<b>TOTAL</b>	<b>4 869 952</b>	<b>1 854 142</b>	<b>-</b>	<b>6 724 094</b>	<b>12 078 981</b>	<b>(5 354 887)</b>		